

Message Text

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ACTION EUR-25

INFO OCT-01 ADP-00 AGR-20 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

CIEP-02 LAB-06 SIL-01 OMB-01 NSC-10 SS-15 STR-08

CEA-02 DODE-00 PM-07 H-02 L-03 PA-03 PRS-01 USIA-12

RSR-01 TAR-02 IO-13 SAJ-01 MBFR-03 NEA-10 /212 W

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R 200952 Z JUN 73

FM AMEMBASSY THE HAGUE

TO SECSTATE WASHDC 1519

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY LUXEMBOURG

USMISSION NATO

USMISSION EC BRUSSELS

C O N F I D E N T I A L SECTION 1 OF 2 THE HAGUE 2750

POUCHED AMEMBASSIES ANKARA, ATHENS, BERN, COPENHAGEN, HELSINKI,
LISBON, LONDON, MADRID, OSLO, OTTAWA, PARIS, PRETORIA, REYKJAVIK,
ROME,

STOCKHOLM, VIENNA, AMCONSULS PARAMARIBO, CURACAO, USMISSION OECD
PARIS

E. O. 11652: GDS

TAGS:

SUBJECT: THE NETHERLANDS: ANNUAL POLICY ASSESSMENT

REFS: (A) THE HAGUE 2104

(B) THE HAGUE 662 (NOTAL)

1. BEGIN SUMMARY: US- DUTCH RELATIONS ARE IN A SHAKEDOWN
PERIOD AS IS THE NEW LEFT- OF- CENTER COALITION WHICH TOOK OFFICE
MAY 11. NEW GOVT' S LONG- RANGE INTENTIONS WILL BECOME CLEARER
WHEN IT PRESENTS ITS FIRST BUDGET THIS SEPTEMBER. PM DEN UYL' S

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INITIAL POLICY STATEMENT, HOWEVER, AND GON ACTIONS SO FAR (LUXEMBOURG EC MINISTERIAL, BRUSSELS DPC, COPENHAGEN NATO MINISTERIAL) SUGGEST US- DUTCH RELATIONS WILL REMAIN GOOD. PM DEN UYL AND LABOR PARTY COLLEAGUES IN KEY MINISTRIES, VAN DER STOEL AT FOREIGN AFFAIRS AND VREDELING AT DEFENSE, REPRESENT MOST EXPERIENCED, CAPABLE AND WELL DISPOSED LEFT WING LEADERS USG LIKELY TO DEAL WITH IN NETHERLANDS FOR SOME TIME. NEW GOVT WILL ENCOUNTER PRESSURE FROM LEFT WING RANK AND FILE FOR MORE DRAMATIC BREAK WITH PAST POLICIES. US, WHICH SHOULD BE SENSITIVE TO THIS FACT CANNOT, AS IN PAST, ASSUME WITH SURETY DUTCH SUPPORT ON MOST ISSUES.

2. NEW GOVT, LIKE ITS RIGHT- OF- CENTER PREDECESSOR, WILL CONTINUE TO ALIGN ITS POLICIES MORE CLOSELY WITH THOSE OF ITS EC PARTNERS. US RESPONSE MUST CONTINUE TO BE IN EC CONTEXT RATHER THAN BILATERAL. ON ECONOMIC SIDE, WE DO NOT FORESEE POLICY SHIFTS INIMICAL TO OUR BASIC BALANCE OF PAYMENTS OBJECTIVES. DUTCH TRADE POLICY OBJECTIVES LARGELY COINCIDE WITH OURS, EXCEPT ON AGRICULTURE, AND WE CAN EXPECT SOME HELP FROM THEM IN MTN. OUTLOOK FOR OUR EXPORT, REVERSE INVESTMENT AND TRAVEL PROMOTION OBJECTIVES IS INCREASINLY PROMISING, BUT US MULTINATIONALS OPERATING HERE FACE HIGHER COSTS AND OTHER PROBLEMS.

3. EXAMINING LIST OF 10 MAJOR US OBJECTIVES IN NETHERLANDS AS STATED IN 1973 EUROPARA, WE JUDGE NEW GOVT, IN SHORT- TERM AT LEAST, WILL PRESENT US WITH NO FUNDAMENTAL PROBLEMS, THOUGH ITS WELL KNOWN MILITANCE ON NON- DEMOCRATIC REGIMES AND TENDENCY TO OVER- ESTIMATE POTENTIAL DIVIDENDS OF DEFENSE TASK SHARING AND RATIONALIZATION MAY BE TROUBLESOME IN NATO CONTEXT.

4. ACCESSION OF DEN UYL GOVT, ALTHOUGH IT REPRESENTS A LOVELESS MARRIAGE OF CONVENIENCE, MAY MARK THE BEGINNING OF EXTENDED PERIOD OF LEFT- WING HEGEMONY. INHERENT INSTABILITY WILL BE ONLY ONE OF THE PROBLEMS IT WILL HAVE TO OVERCOME. THE NEW DUTCH TEAM HAS TAKEN OFFICE AT THE SAME TIME THAT THE US IS STRIVING TO REDEFINE AND REVITALIZE ATLANTIC PARTNERSHIP. THIS PROVIDES OPPORTUNITY RE- ESTABLISH US- DUTCH RELATIONS ON SOUND BASIS REFLECTING ALTERED INTERNATIONAL ENVIRONMENT. NEW TEAM IS MORE REPRESENTATIVE THAN
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PREDECESSOR OF POSTWAR GENERATION THAT LARGELY DETERMINES PROGRAM CONTENT OF A TELEVISION COMPLEX MORE CRITICAL OF THE US THAN THAT OF ANY OTHER ALLIED COUNTRY AND WILL BE HARDER TO CONVINCE. HOWEVER, THE DUTCH HAVE BEEN OLD FRIENDS, RELIABLE ALLIES AND EXCELLENT CUSTOMERS. GIVEN CONTINUED GOOD WILL AND UNDERSTANDING ON BOTH SIDES, THERE IS NO REASON WHY THEY CANNOT REMAIN SO. END SUMMARY.

5. POLITICAL. THE LEFT- OF- CENTER COALITION, WHICH TOOK OFFICE MAY 11 AFTER AN UNPRECEDENTED SIX- MONTHS GOVT FORMATION, IS A COALITION OF THE THREE PRINCIPAL LEFT WING AND THE TWO LARGER RELIGIOUS PARTIES. IT EXISTS BECAUSE THERE WAS NO ALTERNATIVE AFTER RELIGIOUS PARTIES, WHO HAVE BEEN LOSING GROUND STEADILY OVER PAST DECADE, CHOSE TO END THEIR 15- YEAR ALLIANCE WITH THE LIBERALS (THE CONSERVATIVES IN DUTCH POLITICS). CEMENT HOLDING COALITION TOGETHER IS RELIGIOUS PARTIES' FEAR OF NEW ELECTIONS AND LEFT WING' S REALIZATION IT CANNOT RULE ALONE. NEW GOVT PRESENTED ITS PROGRAM MAY 28, BUT SINCE THE DUTCH BUDGET YEAR WAS ALMOST HALF OVER NO RECOMMENDATIONS FOR MAJOR CHANGES WERE MADE. THESE WILL PROBABLY COME IN QUEEN' S SPEECH IN SEPTEMBER OF THIS YEAR WHEN PM DEN UYL PRESENTS HIS OWN BUDGET. IF GOVT MANAGES TO COME THROUGH THIS TEST UNSCATHED, ITS NEXT TRIAL WILL BE PROVINCIAL ELECTIONS IN MARCH 1974.

6. NEW PM IS MOVING CAUTIOUSLY AND IS AWARE OF " NARROW MARGINS" (HIS OWN TERM) IN WHICH HE MUST OPERATE. DEN UYL IS UNDER PRESSURE FROM LEFT WING OF HIS OWN PARTY AND RADICALS TO DEMON- STRATE DUTCH SOCIETY CAN TRULY BE " DIFFERENT". HE IS UNDER EQUALLY STRONG PRESSURE FROM RELIGIOUS PARTY COLLABORATORS IN GOVT NOT TO MOVE TOO PRECIPITATELY. WE BELIEVE THAT WITH MODICUM OF LUCK DEN UYL CAN CONCILIATE BOTH EXTREMES, KEEP HIS GOVERNMENT TOGETHER AND BEGIN TO IMPLEMENT HIS ELECTORAL PROGRAM. LATTER IS PRIMARILY DOMESTIC IN FOCUS AND WOULD NOT APPEAR TO IMPINGE SIGNIFICANTLY ON US INTERESTS.

7. IN AREAS OF IMMEDIATE CONCERN TO USG, NEW GOVT IS COMMITTED TO DEFENSE ECONOMIES AND REORGANIZATION, INCREASED DEVELOPMENT ASSISTANCE ESPECIALLY TO " LIBERATION GROUPS ," MORE VIGOROUS EFFORTS TO REFORM NON- DEMOCRATIC R
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US- EUROPEAN RELATIONSHIP, AND WE SHOULD BE ABLE TO LIVE WITH SUCH CHANGES. WE SHOULD BE CAREFUL NOT TO OVER- REACT TO THEM, ALTHOUGH WE SHOULD SPEAK WITH THE FRANKNESS AND VIGOR THE DUTCH EXPECT OF US WHEN THERE IS A GENUINE PROBLEM.

8. ECONOMIC. SHIFTS IN POLITICAL COMPLEXION OF DUTCH GOVERNMENTS HAVE RARELY WARPED UNDERLYING CONSTANCY OF DUTCH FOREIGN ECONOMIC POLICY. AS FAR AS WE CAN JUDGE, THIS CONSTANCY WILL NOT BE SIGNIFICANTLY ALTERED BY DEN UYL CABINET. DUTCH COMMERCIAL TRADITION AND DEPENDENCE ON FOREIGN TRADE DICTATE CONTINUED DEVOTION TO MAXIMUM FREEDOM OF MERCHANDISE TRADE. SLOW BUT STEADY MULTINATIONAL INTEGRATION OF DUTCH INDUSTRIAL AND SERVICE CORPORATIONS IMPOSES TOLERANCE WITH REGARD TO FREE INTERNATIONAL MOVEMENT OF LONG- TERM CAPITAL. WE DO NOT THEREFORE ANTICIPATE ANY SIGNIFICANT CHANGE IN BASICALLY LAISSEZ FAIRE PHILOSOPHY OF GON IN FOREIGN ECONOMIC POLICY AREA.

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9. WHETHER THIS PHILOSOPHY WILL BE AGGRESSIVELY PROJECTED BY GON IN UPCOMING TRADE, MONETARY AND INVESTMENT NEGOTIATIONS REMAINS TO BE SEEN. WE CAN EXPECT THEM, HOWEVER, TO SEEK COMMON CAUSE WITH LIKE- THINKING EC PARTNERS WHEN OCCASION ARISES. IN THIS FASHION WE CAN FORESEE DUTCH SUPPORT OF OUR POSITION AGAINST PREFERENTIAL EC ARRANGEMENTS WITH NON- EUROPEAN COUNTRIES AND IN FAVOR OF FAR- REACHING LIBERALIZATION OF TARIFF AND NON- TARIFF BARRIERS IN NTN, WHILE NEW GOVT IS SYMPATHETIC TO US CONCERNS, WE CANNOT EXPECT DUTCH SUPPORT IN ANY MAJOR ASSAULT ON CAP. NEW GOVERNMENT IS LIKELY TO BE EVEN MORE ACTIVE THAN ITS PREDECESSOR IN DAC AND UN FORA IN PUSHING FOR MORE OFFICIAL AID TO LDCS.

10. OUR FREEDOM OF ACCESS TO DUTCH MARKET FOR OUR EXPORTS WILL CONTINUE, IN OUR JUDGMENT, TO BE INHIBITED ONLY BY EC RATHER THAN UNILATERAL DUTCH RESTRICTIONS. ASIDE FROM MODEST BIAS OF GON AGENCIES IN FAVOR OF PROCUREMENT OF ELECTRONIC ITEMS FROM PHILIPS, WHICH GOES BACK TO 1971 AND HAS BEEN ONLY SLIGHTLY ENFORCED, OFFICIAL PROCUREMENT POLICY REMAINS NON- DISCRIMINATORY. IN PRIVATE SECTOR, THERE ARE INDICATIONS THAT CHEAPER DOLLAR, ESPECIALLY SINCE FEBRUARY 12 REVALUATION, WILL SUBSTANTIALLY ENHANCE OUR SALES PROSPECTS. THIS SHOULD OFFSET NEW COMPETITIVE FACTORS ARISING FROM EC ENLARGEMENT.

11. OUR OBJECTIVE OF PROMOTING DUTCH INVESTMENT AND TOURISM IN US SHOULD BE SUBSTANTIALLY ADVANCED BY CHEAPER DOLLARS AND RAMPANT INFLATION IN EUROPE. DUTCH INTEREST IN BOTH HAS MEASURABLY HEIGHTENED AND SHOULD SOON BE REFLECTED IN OUR BALANCE OF PAYMENTS STATISTICS.

12. AMERICAN INVESTORS HERE ARE CLEARLY IN FOR TOUGHER SLEDDING. WHILE THERE ARE NO SIGNS YET OF OFFICIAL DISCRIMINATION AGAINST FOREIGN- OWNED ENTERPRISE THE CLIMATE FOR ALL INVESTMENT IS TURNING CLOUDY AND COOL. WAGE INFLATION REMAINS HIGH (PROBABLY 14 PERCENT HIS YEAR), RAW MATERIAL AND TAX COSTS ARE RISING, AND PRESSURES FROM ENVIRONMENTISTS ARE BECOMING MORE STRIDENT. WE CAN EXPECT NEW INDUSTRIAL INVESTMENT IN WESTERN RANDSTAD AREA, WHICH HAS BEST INFRASTRUCTURE, TO BE OFFICIALLY DISCOURAGED. LABOR MILITANCY IS ON THE RISE AND DEN UYL CABINET CAN BE EXPECTED TO SUPPORT LABOR DEMANDS FOR MORE PARTICIPATION IN MANAGEMENT. MANY AMERICAN COMPANIES HERE ARE NOW SHIFTING THEIR EXPANSION PLANS TO MORE INVITING SITES.

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13. DEFENSE. WE EXPECT THE DEN UYL GOVT TO CONTINUE THE CAUTIOUS, PRUDENT LINE TAKEN BY DEFMIN VREDDLING AT THE THE JUNE 7 DPC MEETING CONCERNING POSSIBLE CHANGES IN DUTCH NATO COMMITMENTS. IN PARTICULAR, WE EXPECT VREDELING TO ADHERE TO HIS PROMISE CONSULT NATO IF IMPORTANT CHANGES IN DUTCH DEFENSE POLICY ARE CONTEMPLATED. (SEE IN THIS CONNECTION HIS PROPOSAL ADOPTED BY D1 FOR STUDY OF SPECIALIZATION IN THE CENTRAL REGION BY INTERESTED COUNTRIES.) THE DEFENSE WHITE PAPER, WHICH HAS BEEN PROMISED FOR THIS FALL, IS EXPECTED TO STRESS ECONOMIES THAT CAN BE ACHIEVED IN THE DUTCH DEFENSE EFFORT OVER THE NEXT FEW YEARS THROUGH RATIONALIZATION AND SPECIALIZATION IN NATO. IT IS NOT YET CLEAR, HOWEVER, TO WHAT EXTENT THE DRAFTERS OF THE WHITE PAPER MAY ANTICIPATE THE RESULTS OF THE NATO STUDY ON THIS QUESTION, IN PARTICULAR THE CRUCIAL QUESTION OF REPLACING THE F-104 G FIGHTER. WE ALSO EXPECT THAT THE GOVT WILL GIVE DETAILS OF ITS PLANS TO REDUCE CONSCRIPTION TIME

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